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January 19, 2017

**VIA EMAIL**

Sharon Dickinson  
Office of the Los Angeles City Clerk  
200 N. Spring Street, Room 430  
Los Angeles, CA 90012

Re: 333 S. La Cienega Boulevard Project (Council File Nos. 16-1368 & 16-1368-S2)

Dear Ms. Dickinson:

We submitted a letter with several exhibits to the Planning and Land Use Management Committee yesterday regarding the above referenced files. It has come to our attention that Exhibits D and E to the letter were erroneously dated as 2016 rather than 2017. Attached for the council files is a copy of the exhibits with the correct dates. In all other respects the exhibits are the same.

Please feel free to contact me if you have any questions.

Sincerely,



Maria Pilar Hoye  
of LATHAM & WATKINS LLP

Attachments

cc: Luciralia Ibarra, Department of City Planning  
Alejandro Huerta, Department of City Planning  
Corinne Verdery, Caruso  
Sam Garrison, Caruso

## MEMORANDUM

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To: Corinne Verdery and Sam Garrison, Caruso

From: HR&A Advisors, Inc.

Date: January 18, 2017

Re: **Financial Feasibility Analysis of Two EIR Alternatives for the Planned Mixed-Use Project at 333 S. La Cienega Boulevard**

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HR&A Advisors, Inc. ("HR&A") has completed a financial feasibility analysis for two alternative development concepts that were analyzed in the Environmental Impact Report (EIR) for the multi-family/retail development proposed by Caruso at 333 S. La Cienega Boulevard in the City of Los Angeles ("City"). Based on the analysis summarized below, and supported by the calculation detail in Attachment A to this memo, we conclude that, with respect to the two EIR alternatives:

- **The Alternative 2, Option 2 – "Existing Zoning Alternative" with 40 market rate units and ground floor medical office space, pursuant to existing zoning would not be financially feasible.** This is because: (1) the return on total development cost falls below a minimum threshold that we believe would be required to attract investment capital to finance this development scenario (i.e., 2.6% vs. 5.5%); and (2) it yields a negative developer profit margin; and
- **The Alternative 3 - "Reduced Density Alternative" development scenario with 87 market rate units and 20,000 square feet of ground floor retail space pursuant to a General Plan Amendment, also would not be financially feasible.** This is because (1) the return on total development cost again falls below the minimum threshold (i.e., 4.2% vs. 4.9%) for this development scenario; and (2) so does the minimum acceptable profit margin (i.e., 4.5% vs. 12.5%).

Our analysis utilizes a financial feasibility modeling approach for each EIR alternative that includes analysis of all development costs (i.e., land value, construction hard costs, "soft" costs and financing costs), net operating income (i.e., income from apartments and retail minus their respective operating costs), gross and net capitalized project value, and two measures of developer return on investment. In our experience, a development project must meet or exceed both measures of investment return to be considered by a reasonably prudent property owner or developer to be financially feasible.

The two measures of investment return which are used to determine financial feasibility are: (1) return on total development cost; and (2) developer profit margin. HR&A has utilized minimum

thresholds for each of these return measures based on our review of recent sales transactions and third-party real estate data for the Los Angeles area, and our experience and professional judgement. Both thresholds are widely used in the Los Angeles market and have been accepted by City decision makers. The minimum financial feasibility threshold for return on total development cost was set at one percentage point more than the applicable income capitalization (or "cap") rate (i.e., 4.5% for Alternative 2, Option 2 and 3.9% for Alternative 3) for new development at this location, and accounts for the spread between the prevailing cap rate for existing development and the level of investment yield required for new development in the Los Angeles real estate market. Cap rates were based on HR&A's analysis of sales since the third quarter of 2013 for newly constructed buildings within an approximately two-mile radius of the project, and were weighted based on each development scenario's land use mix. Our analysis shows that the return on total development cost for both EIR alternatives falls below the minimum acceptable thresholds.

The minimum financial feasibility threshold for developer profit margin was set at 12.5 percent, based on HR&A's experience and prevailing real estate analysis practice in the Los Angeles market. After using the cap rate to estimate the value of this development at stabilized operation, and then deducting costs of sale and total development costs, the resulting developer profit was compared with the net after-sale value. In the case of Alternative 2, Option 2, the total development costs exceeded the net after-sale value and produced a negative developer profit margin; in the case of Alternative 3, the ratio of developer profit to net after-sale value produced a profit margin of 4.5 percent, which is below the minimum threshold of 12.5 percent.

Therefore, because neither alternative meets or exceeds the minimum investment return thresholds, we conclude that neither alternative is financially feasible.<sup>1</sup>

The details of our financial feasibility analysis for each alternative are included in Attachment A to this memo. HR&A relied on generally accepted third-party data sources and our own expertise. Sources for all assumptions are included in Attachment A.

We can be available to answer any questions about this analysis as needed.

Attachment A:

1. Financial Feasibility, EIR Alternative 2, 1.5 FAR Scenario
2. Financial Feasibility, Reduced Density, 2.7 FAR Scenario, Pursuant to a General Plan Amendment

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<sup>1</sup> Income capitalization ("cap") rates in the Los Angeles real estate market have risen in recent months and are expected to continue rising during 2017 in response to changing economic circumstances, inflation, and a rising interest rate environment, among other factors. HR&A's analysis does not take into account either recent or anticipated increases in cap rates. Higher cap rates would increase the minimum investment return thresholds required to attract investment capital.

**Attachment A**

**333 S. La Cienega Blvd**

**1. Financial Feasibility, EIR Alternative 2 Scenario**

	<u>Per Unit</u>	<u>Total</u>
<b>Development Program<sup>1</sup></b>		
Land Area (sf)	1,255	50,216
Gross Building Area (GSF)	1,900	76,000
Achieved FAR (based on GSF)		1.5
Rentable Area - Residential (NSF)	1,020	40,800
Rentable Area - Commercial (NSF)		20,000
Building Efficiency		80.0%
<b>Apartments</b>		
Market Rate		40
Affordable		-
Total Units		40
Subterranean Parking		130
Levels		2
Structured Parking		-
Levels		-
Total Parking		130

<u>Unit Mix<sup>1</sup></u>	<u>Number</u>	<u>Net Rentable SF</u>	<u>Mo. Rent/NRSF</u>	<u>Mo. Rent</u>	<u>Total Mo. Rent</u>
<b>Market Rate<sup>2</sup></b>					
1 Bedroom	18	800	\$3.70	\$2,960	\$ 53,280
2 Bedroom	22	1,200	\$3.10	\$3,720	\$ 81,840
	40				\$ 135,120

<u>Land</u>	<u>Per Land SF</u>	<u>Per Unit</u>	<u>Total</u>
Land Acquisition*	\$ 947.91	\$ 1,190,000	\$ 47,600,000
<b>Subtotal Land</b>	<b>\$ 947.91</b>	<b>\$ 1,190,000</b>	<b>\$ 47,600,000</b>

<u>Construction</u>	<u>Number of Spaces</u>	<u>Per Bldg. GSF</u>	<u>Per Unit/Space</u>	<u>Total</u>
Hard Construction-Buildings <sup>5</sup>		\$ 152	\$ 288,800	\$ 11,552,000
Hard Construction-Structured Parking (per space) <sup>5</sup>	-		\$ -	\$ -
Hard Construction-Subt. Parking (per space) <sup>5</sup>	130		\$ 50,898	\$ 6,616,740
Hard Construction-Off Site Community Benefits <sup>1</sup>				\$ -
Tenant Improvements Allowance (x Retail NSF) <sup>6</sup>		\$50	\$ 13	\$ 1,000,000
Hard Cost Contingency (x Subtotal) <sup>5</sup>		5%	\$ 13	\$ 23,961
<b>Subtotal Construction</b>		<b>\$ 265</b>	<b>\$ 503,179</b>	<b>\$ 20,127,177</b>

<u>Soft Costs<sup>6</sup></u>				
Design, Engineering & Consulting Services (x Hard Costs)	8.0%	\$ 21.19	\$ 40,254	\$ 1,610,174
Permits & Fees (x Hard Costs)	4.0%	\$ 10.59	\$ 20,127	\$ 805,087
Taxes, Insurance, Legal & Accounting (x Hard Costs)	5.0%	\$ 13.24	\$ 25,159	\$ 1,006,359
Development Management (x Hard Costs)	4.0%	\$ 10.59	\$ 20,127	\$ 805,087
Soft Cost Contingency (x Subtotal) <sup>5</sup>	3.0%	\$ 1.67	\$ 3,170	\$ 126,801
<b>Subtotal Soft Costs</b>	<b>24.0%</b>	<b>\$ 57.28</b>	<b>\$ 108,838</b>	<b>\$ 4,353,508</b>

<u>Construction Financing Costs<sup>6</sup></u>		<u>Per GSF</u>	<u>Per Unit</u>	<u>Total</u>
Land + Hard Costs + Soft Costs	\$ 72,080,685			
Loan to Cost Ratio	70%			
Construction Loan Principal	\$ 50,456,480			
Loan Fees (%)	1.5%	\$ 9.96	\$ 18,921	\$ 756,847
Interest Rate	6.00%			
Outstanding Principal Balance	60%			
Term (years)	2			
Construction Period (months)	24			
Construction Loan Interest		\$ 47.80	\$ 90,822	\$ 3,632,867
Permanent Loan Points	1.0%	\$ 6.64	\$ 12,614	\$ 504,565
<b>Subtotal Construction Loan</b>		<b>\$ 64.40</b>	<b>\$ 122,357</b>	<b>\$ 4,894,279</b>
<b>Total Development Cost (TDC)</b>		<b>\$ 1,012.83</b>	<b>\$ 1,924,374</b>	<b>\$ 76,974,964</b>

	Per Unit/Mo.	Per NSF/Unit/Mo.	Annual
<b>Net Operating Income</b>			
Gross Apartment Rental Income			
Market Rate Apartments <sup>2</sup>	\$ 3,378	\$ 3.31	\$ 1,621,440
Miscellaneous Revenue <sup>5</sup>	\$ 50	\$ 0.05	\$ 24,000
Gross Income	\$ 3,428	\$ 3.36	\$ 1,645,440
Less: Vacancy Allowance <sup>6</sup>	5.0% \$ (171)	\$ (0.00)	\$ (82,272)
Effective Gross Income (EGI)	\$ 3,257	\$ 3.36	\$ 1,563,168
Less: Annual Operating Expenses (x EGI) <sup>6</sup>	35.0% \$ (1,140)	\$ (1.12)	\$ (547,109)
Less: Replacement Reserve (per unit/year) <sup>6</sup>	\$250 \$ (21)	\$ (0.02)	\$ (10,000)
Net Apartment Income	\$ 2,096	\$ 2.22	\$ 1,006,059

		Per NSF/Mo.	Annual
Gross Medical Office Rental Income (NNN) <sup>2</sup>		\$ 4.50	\$ 1,080,000
Less: Vacancy Allowance (x Gross Income)	5.0%	\$ (0.23)	\$ (54,000)
Effective Gross Income (EGI)		\$ 4.28	\$ 1,026,000
Less: Management Fee (x EGI) <sup>6</sup>	3%	\$ (0.13)	\$ (30,780)
Net Commercial Income		\$ 4.15	\$ 995,220

**Net Operating Income (NOI)** \$ 2.19 \$ 2,001,279

#### Feasibility

Return on Total Development Cost			
Net Operating Income (from above)			\$ 2,001,279
Total Development Cost (from above)			\$ 76,974,964
Return on Cost (NOI / TDC)			2.6%
Feasible?			NO
(Minimum = Cap Rate + 1.00% = 5.5%) <sup>6</sup>			

Developer Profit Margin			
Net Operating Income (from above)			\$ 2,001,279
Cap Rate <sup>7</sup>	4.5%		
Project Value (NOI x Cap Rate)			\$ 44,472,871
Less: Cost of Sale <sup>6</sup>	3.0%		\$ (1,334,186)
Net Project Sale Value			\$ 43,138,685
Less: Total Development Cost (from above)			\$ (76,974,964)
Developer Profit Margin			\$ (33,836,279)
% x Net Project Sale Value			-78.4%
Feasible?			NO
(Minimum = 12.5%) <sup>6</sup>			

#### SOURCES & NOTES:

- <sup>1</sup> Caruso.
- <sup>2</sup> HR&A, based on review of market comps for similarly scaled, newly constructed apartments with retail and a moderate set of amenities, in and near Beverly Grove.
- <sup>3</sup> Reserved
- <sup>4</sup> Per an independent appraisal commissioned by Caruso.
- <sup>5</sup> HR&A estimate of weighted average retail and residential costs based on Marshall & Swift Cost Estimator software, December 2016 data for LA area. Includes demolition and site work; factored to remove soft costs listed separately. Parking costs estimated on a per square ft basis; parking square footage provided by Caruso.
- <sup>6</sup> HR&A assumptions typical for this type of project and/or calculations.
- <sup>7</sup> Based on HR&A review of third party data sources (e.g., CoStar sale records of new construction in and near Beverly Grove.)

Prepared by: HR&A Advisors, Inc.

**Attachment A**

**333 S. La Cienega Blvd**

**2. Financial Feasibility, Reduced Density Scenario**

	<u>Per Unit</u>	<u>Total</u>
<b>Development Program<sup>1</sup></b>		
Land Area (sf)	577	50,216
Gross Building Area (GSF)	1,569	136,500
Achieved FAR (based on GSF)		2.7
Rentable Area - Residential (NSF)	1,025	89,200
Rentable Area - Commercial (NSF)		20,000
Building Efficiency		80.0%
<b>Apartments</b>		
Market Rate		87
Total Units		87
<b>Subterranean Parking</b>		
Levels		2
<b>Structured Parking</b>		
Levels		2
Total Parking		216

	<u>Number</u>	<u>Net Rentable SF</u>	<u>Mo. Rent/NRSF</u>	<u>Mo. Rent</u>	<u>Total Mo. Rent</u>
<b>Unit Mix<sup>1</sup></b>					
<i>Market Rate<sup>2</sup></i>					
1 Bedroom	38	800	\$6.30	\$5,040	\$ 191,520
2 Bedroom	49	1,200	\$5.50	\$6,600	\$ 323,400
	87				\$ 514,920

	<u>Per Land SF</u>	<u>Per Unit</u>	<u>Total</u>
<b>Land</b>			
Land Acquisition*	\$ 947.91	\$ 547,126	\$ 47,600,000
<b>Subtotal Land</b>	\$ 947.91	\$ 547,126	\$ 47,600,000

	<u>Number of Spaces</u>	<u>Per Bldg. GSF</u>	<u>Per Unit/Space</u>	<u>Total</u>
<b>Construction</b>				
Hard Construction-Buildings <sup>5</sup>		\$ 252	\$ 395,379	\$ 34,398,000
Hard Construction-Structured Parking (per space) <sup>5</sup>	108		\$ 35,600	\$ 3,844,800
Hard Construction-Subt. Parking (per space) <sup>5</sup>	108		\$ 50,898	\$ 5,496,984
Hard Construction-Off Site Community Benefits <sup>1</sup>				\$ -
Tenant Improvements Allowance (x Medical Office NSF) <sup>6</sup>		\$50	\$ 7	\$ 1,000,000
Hard Cost Contingency (x Subtotal) <sup>5</sup>		5%	\$ 16	\$ 25,713
<b>Subtotal Construction</b>		\$ 344	\$ 539,963	\$ 46,976,773

<b>Soft Costs<sup>5</sup></b>				
Design, Engineering & Consulting Services (x Hard Costs)	8.0%	\$ 27.53	\$ 43,197	\$ 3,758,142
Permits & Fees (x Hard Costs)	4.0%	\$ 13.77	\$ 21,599	\$ 1,879,071
Taxes, Insurance, Legal & Accounting (x Hard Costs)	5.0%	\$ 17.21	\$ 26,998	\$ 2,348,839
Development Management (x Hard Costs)	4.0%	\$ 13.77	\$ 21,599	\$ 1,879,071
Soft Cost Contingency (x Subtotal) <sup>5</sup>	3.0%	\$ 2.17	\$ 3,402	\$ 295,954
<b>Subtotal Soft Costs</b>	24.0%	\$ 74.44	\$ 116,794	\$ 10,161,076

	<u>Per GSF</u>	<u>Per Unit</u>	<u>Total</u>
<b>Construction Financing Costs<sup>6</sup></b>			
Land + Hard Costs + Soft Costs			\$ 104,737,849
Loan to Cost Ratio			70%
Construction Loan Principal			\$ 73,316,494
Loan Fees (%)	1.5%	\$ 8.06	\$ 12,641
Interest Rate	6.00%		
Outstanding Principal Balance	60%		
Term (years)	2		
Construction Period (months)	24		
Construction Loan Interest	\$ 38.67	\$ 60,676	\$ 5,278,788
Permanent Loan Points	1.0%	\$ 5.37	\$ 8,427
<b>Subtotal Construction Loan</b>	\$ 52.10	\$ 81,744	\$ 7,111,700
<b>Total Development Cost (TDC)</b>	\$ 819.41	\$ 1,285,627	\$ 111,849,549

	<u>Per</u> <u>Unit/Mo.</u>	<u>Per</u> <u>NSF/Unit/Mo.</u>	<u>Annual</u>
<b>Net Operating Income</b>			
Gross Apartment Rental Income			
Market Rate Apartments <sup>2</sup>	\$ 5,919	\$ 5.77	\$ 6,179,040
Miscellaneous Revenue <sup>5</sup>	\$ 50	\$ 0.05	\$ 52,200
Gross Income	\$ 5,969	\$ 5.82	\$ 6,231,240
Less: Vacancy Allowance <sup>6</sup>	5.0% \$ (298)	\$ (0.00)	\$ (311,562)
Effective Gross Income (EGI)	\$ 5,670	\$ 5.82	\$ 5,919,678
Less: Annual Operating Expenses (x EGI) <sup>6</sup>	35.0% \$ (1,985)	\$ (1.94)	\$ (2,071,887)
Less: Replacement Reserve (per unit/year) <sup>6</sup>	\$250 \$ (21)	\$ (0.02)	\$ (21,750)
Net Apartment Income	\$ 3,665	\$ 3.86	\$ 3,826,041

		<u>Per NSF/Mo.</u>	<u>Annual</u>
Gross Retail Rental Income (NNN) <sup>2</sup>		\$ 4.00	\$ 960,000
Less: Vacancy Allowance (x Gross Income)	5.0%	\$ (0.20)	\$ (48,000)
Effective Gross Income (EGI)		\$ 3.80	\$ 912,000
Less: Management Fee (x EGI) <sup>6</sup>	3%	\$ (0.11)	\$ (27,360)
Net Commercial Income		\$ 3.69	\$ 884,640
<b>Net Operating Income (NOI)</b>		<b>\$ 2.88</b>	<b>\$ 4,710,681</b>

#### **Feasibility**

Return on Total Development Cost			
Net Operating Income (from above)			\$ 4,710,681
Total Development Cost (from above)			\$ 111,849,549
Return on Cost (NOI / TDC)			<b>4.2%</b>
<b>Feasible?</b>			<b>NO</b>
(Minimum = Cap Rate + 1.00% = 4.9%) <sup>6</sup>			

Developer Profit Margin			
Net Operating Income (from above)			\$ 4,710,681
Cap Rate <sup>7</sup>	3.9%		
Project Value (NOI x Cap Rate)			\$ 120,786,685
Less: Cost of Sale <sup>6</sup>	3.0%		\$ (3,623,601)
Net Project Sale Value			\$ 117,163,084
Less: Total Development Cost (from above)			\$ (111,849,549)
Developer Profit Margin			\$ 5,313,535
% x Net Project Sale Value			<b>4.5%</b>
<b>Feasible?</b>			<b>NO</b>
(Minimum = 12.5%) <sup>6</sup>			

#### **SOURCES & NOTES:**

- <sup>1</sup> Caruso.
- <sup>2</sup> HR&A, based on review of market comps for high-end new construction apartments with retail in prime submarket areas and an analysis of rent premiums associated with highly-amenitized, luxury buildings.
- <sup>3</sup> Reserved
- <sup>4</sup> Per an independent appraisal commissioned by Caruso.
- <sup>5</sup> HR&A estimate of weighted average retail and residential costs based on Marshall & Swift Cost Estimator software, December 2016 data for LA area. Includes demolition and site work; factored to remove soft costs listed separately. Parking costs estimated on a per square ft basis; parking square footage provided by Caruso.
- <sup>6</sup> HR&A assumptions typical for this type of project and/or calculations.
- <sup>7</sup> Based on HR&A review of third party data sources (e.g., CoStar sale records of high-end new construction in and near Beverly Grove.)

Prepared by: HR&A Advisors, Inc.

## MEMORANDUM

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To: Corinne Verdery and Sam Garrison, Caruso

From: HR&A Advisors, Inc.

Date: January 17, 2017

Re: **Analysis of Economic Impacts of the Planned Mixed-Use Project at 333 S. La Cienega Boulevard**

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HR&A Advisors, Inc. ("HR&A") has completed an analysis of the general economic impacts that the proposed mixed-use development at 333 S. La Cienega Boulevard ("Project") will have on the economy of the City of Los Angeles ("Los Angeles" or "City"). The economic impacts are presented in gross Project terms and net of the operation of the previous ground level department store space ("Existing Site"). Table 1 provides a summary of the economic impacts of Project buildout construction; Table 2 provides a summary of the annual economic impacts of the completed Project at stabilized operation of the residential and retail uses. These results are also summarized in text form on the following page. Attachment A provides supporting calculations used in preparing the economic impact analyses, and more detailed analysis results by industry sector.

Inputs into the economic impact calculation models are based on high-level estimates of construction costs determined by HR&A. Operational data was provided by Caruso, with some additional assumptions developed by HR&A, including residential spending assumptions which are based on estimated rents. While the Project is anticipated to be developed over several years, impacts from all Project phases were calculated in non-escalated 2016 dollars and are reported in 2016 dollars.

We can be available to answer questions about these updated results as needed.



## **SUMMARY OF NET ECONOMIC IMPACTS IN THE CITY OF LOS ANGELES ECONOMY**

Using Project hard construction cost estimates developed by HR&A using Marshall & Swift cost estimating software, and analyzed by HR&A using the most current (2014) IMPLAN input-output model of the City of Los Angeles economy, the following **construction-related economic impacts** were derived (see Table 1 for a summary of the economic impacts by Project land use):

- *Approximately 1,205 total jobs (i.e., direct on-site + “multiplier effect”), of which 661 full-time and part-time construction jobs will be located on site.*
- *Approximately \$50.7 million in compensation paid to workers directly and indirectly associated with construction, of which \$28.2 million will be paid to on-site workers (in 2016 dollars).*
- *Approximately \$195.5 million in total economic output, including \$115.7 million associated with Project construction (in 2016 dollars).*

Using employment estimates for the retail spaces and residential services, as provided by Caruso, and estimates of annual household spending derived from weighted average rental prices for the proposed apartments as estimated by HR&A, the following **net operations-related annual economic impacts** were derived (see Table 2):

- *Approximately 245 total jobs (i.e., direct on-site + “multiplier effect”), of which 95 full-time and part-time operations jobs will be located on site.*
- *Approximately \$10.0 million in annual compensation paid to workers directly and indirectly associated with site operations, of which \$3.4 million will be paid to on-site workers (in 2016 dollars).*
- *Approximately \$31.2 million in total annual economic output, including \$8.5 million associated with on-site operations, measured in producer prices (in 2016 dollars).*

Details of the net economic impact assumptions and results are included in Appendix A of this memorandum.

**Table 1: Employment and Other Economic Impacts in the City of Los Angeles Economy from Construction of the Proposed Mixed-Use Project**  
(all dollar amounts in 2016\$)

<b>Impact Category<sup>1</sup></b>	<b>Direct Impact</b>	<b>Indirect Impact</b>	<b>Induced Impact</b>	<b>Total Impact<sup>2</sup></b>
<b>Residential (Apartment) Construction</b>				
Employment	498	311	160	969
Employee Compensation	\$20,416,675	\$11,659,852	\$7,079,600	\$39,156,128
Total Economic Output	\$91,343,459	\$42,213,909	\$24,264,104	\$157,821,472
<b>Retail Construction</b>				
Employment	44	7	11	63
Employee Compensation	\$2,111,421	\$464,094	\$502,818	\$3,078,332
Total Economic Output	\$6,329,774	\$1,681,390	\$1,723,849	\$9,735,013
<b>Off-Site Community Benefits Construction</b>				
Employment	16	5	5	25
Employee Compensation	\$689,447	\$279,576	\$207,098	\$1,176,121
Total Economic Output	\$3,022,641	\$1,165,148	\$709,847	\$4,897,636
<b>Parking Construction</b>				
Employment	103	18	27	148
Employee Compensation	\$4,992,772	\$1,097,419	\$1,188,988	\$7,279,179
Total Economic Output	\$14,967,701	\$3,975,898	\$4,076,300	\$23,019,899
<b>TOTAL<sup>2</sup></b>				
Employment	661	341	203	1,205
Employee Compensation	\$28,210,316	\$13,500,941	\$8,978,503	\$50,689,760
Total Economic Output	\$115,663,575	\$49,036,346	\$30,774,100	\$195,474,021
<sup>1</sup> Employee Compensation and Total Economic Output values are stated in 2016 dollars. <sup>2</sup> Totals may not sum precisely due to independent rounding.				
Sources: Caruso; IMPLAN; HR&A Advisors, Inc.				

**Table 2: Employment and Other Economic Impacts in the City of Los Angeles Economy from Annual Operations of the Proposed Mixed-Use Project**  
(all dollar amounts in 2016\$)

<b>Impact Category<sup>1</sup></b>	<b>Direct Impact</b>	<b>Indirect Impact</b>	<b>Induced Impact</b>	<b>Total Impact<sup>2</sup></b>
<b>Proposed Mixed-Use Project</b>				
<b>Residential (Market Rate)</b>				
Employment	0	0	117	117
Employee Compensation	\$0	\$0	\$5,124,180	\$5,124,180
Total Economic Output	\$0	\$0	\$17,409,539	\$17,409,539
<b>Residential (Affordable)</b>				
Employment	0	0	3	3
Employee Compensation	\$0	\$0	\$125,112	\$125,112
Total Economic Output	\$0	\$0	\$429,344	\$429,344
<b>Retail</b>				
Employment	84	8	14	107
Employee Compensation	\$2,749,181	\$384,416	\$639,950	\$3,773,546
Total Economic Output	\$6,525,815	\$1,455,328	\$2,193,733	\$10,174,876
<b>Residential Employment</b>				
Employment	31	6	7	44
Employee Compensation	\$1,296,495	\$315,894	\$293,693	\$1,906,081
Total Economic Output	\$3,661,617	\$1,012,975	\$1,007,082	\$5,681,674
<b>SUBTOTAL - PROPOSED PROJECT<sup>2</sup></b>				
Employment	115	14	141	270
Employee Compensation	\$4,045,676	\$700,310	\$6,182,935	\$10,928,920
Total Economic Output	\$10,187,432	\$2,468,303	\$21,039,699	\$33,695,434
<b>Less - Existing Site</b>				
<b>Department Store</b>				
Employment	20	2	3	25
Employee Compensation	\$625,441	\$135,207	\$135,237	\$895,885
Total Economic Output	\$1,648,636	\$430,312	\$463,763	\$2,542,711
<b>NET PROJECT IMPACTS<sup>2</sup></b>				
Employment	95	12	137	245
Employee Compensation	\$3,420,234	\$565,102	\$6,047,698	\$10,033,035
Total Economic Output	\$8,538,796	\$2,037,991	\$20,575,936	\$31,152,723
<sup>1</sup> Employee Compensation and Total Economic Output values are stated in 2016 dollars.				
<sup>2</sup> Totals may not sum precisely due to independent rounding.				
Sources: Caruso; IMPLAN; HR&A Advisors, Inc.				

**APPENDIX A:**

**ECONOMIC IMPACT ANALYSIS INPUTS  
AND INDUSTRY SECTOR  
RESULTS FOR THE PROJECT**

**Appendix A, Table 1**  
**Proposed Mixed-Use Project**  
**Economic Impact Inputs**  
**Construction**

<b>Cost Categories</b>	<b>Hard Construction Cost (2016\$)<sup>1</sup></b>	<b>IMPLAN Sector #</b>	<b>IMPLAN Sector Name</b>
<b>Residential (Apartments)</b>	<b>\$91,343,456</b>	<b>60</b>	Construction of new multifamily residential structures
<b>Retail</b>	<b>\$6,329,774</b>	<b>57</b>	Construction of new commercial structures, including farm structures
<b>Off-Site Improvements</b>	<b>\$3,022,641</b>	<b>56</b>	Construction of new highways and streets
<b>Parking</b>	<b>\$14,967,700</b>	<b>57</b>	Construction of new commercial structures, including farm structures
<b>Total Hard Costs</b>	<b>\$115,663,571</b>		

<sup>1</sup> HR&A Advisors, Inc.; Marshall & Swift.

Sources: Caruso; IMPLAN; HR&A Advisors, Inc.; Marshall & Swift.

**Appendix A, Table 2**  
**Proposed Mixed-Use Project**  
**Economic Impact Inputs**  
**Annual Operations**

<b>Retail</b>	<b>Gross Leasable</b>		<b>Jobs</b>	<b>IMPLAN Sector</b>		<b>Margin?<sup>3</sup></b>
	<b>Area (SF)<sup>1</sup></b>	<b>Jobs per SF<sup>2</sup></b>		<b>#</b>	<b>IMPLAN Sector Name</b>	
Restaurant	3,370	0.00271	9	501	Full-service restaurants	no
Retail - Neighborhood Grocery Market	<u>27,685</u>	0.00271	<u>75</u>	400	Retail - Food and beverage stores	yes
<b>Subtotal - Retail</b>	<b>31,055</b>		<b>84</b>			
<b>Residential Employment</b>			<b>Jobs<sup>4</sup></b>	<b>IMPLAN Sector</b>		<b>Margin?<sup>3</sup></b>
Resident Service Employees			<u>31</u>	499	Hotels and motels, including casino hotels	no
<b>Subtotal - Parking</b>			<b>31</b>			

<sup>1</sup> Caruso.

<sup>2</sup> Los Angeles Unified School District, 2012. 2012 Developer Fee Justification Study. February 9, 2012, Table 11. Based on the employee generation rate for "Neighborhood Shopping Center" land uses, which is 0.00271 employees per average square foot.

<sup>3</sup> IMPLAN distinguishes between industries such as retail where purchases include margins and are in consumer prices rather than producer prices.

<sup>4</sup> Caruso. On-site employment resembles typical hotel employment such as operational staff, housekeepers, landscapers, and valet attendants.

Sources: Caruso; Retail Maxim; IMPLAN; HR&A Advisors, Inc.

**Appendix A, Table 3**  
**Proposed Mixed-Use Project**  
**Economic Impact Inputs**  
**Annual Operations (cont'd)**  
**Market Rate Apartments**

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Total Apartments <sup>1</sup>	131
Average Monthly Rent - psf <sup>2</sup>	\$5.88
Average sf	1,454
Average Yearly Rent	\$102,528
Annual Utility Cost <sup>3</sup>	\$1,122
Total Annual Housing Cost	\$103,650
Housing Cost/Household Income	35%
Total Project Gross Hhld. Income	\$38,794,890
<b>Total From Occupied Units (95% Occupied)<sup>4</sup></b>	<b>\$36,855,145</b>
IMPLAN Sector # <sup>5</sup>	10009

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<sup>1</sup> Caruso.

<sup>2</sup> HR&A Advisors estimate based on Caruso Project data and review of market comparables.

<sup>3</sup> HR&A Advisors.

<sup>4</sup> HR&A Advisors assumption of structural apartment vacancy at stabilization.

<sup>5</sup> IMPLAN.

Sources: Caruso; IMPLAN; HR&A Advisors, Inc.

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## Appendix A, Table 4

### Proposed Mixed-Use Project

#### Economic Impact Inputs

#### Annual Operations (cont'd)

#### Affordable Apartments (Very Low Income)

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Total Apartments <sup>1</sup>	8
Average Monthly Rent - psf <sup>2</sup>	\$0.42
Average sf	1,276
Average Yearly Rent	\$6,435
Annual Utility Cost <sup>3</sup>	\$1,122
Total Annual Housing Cost	\$7,558
Housing Cost/Household Income	35%
Total Project Gross Hhld. Income	\$172,751
<b>Total From Occupied Units (95% Occupied)<sup>4</sup></b>	<b>\$164,113</b>
IMPLAN Sector # <sup>5</sup>	10003

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<sup>1</sup> Caruso.

<sup>2</sup> HR&A Advisors based on City of Los Angeles Housing and Community Investment Department 2016 Affordable Housing Income and Rent Limits.

<sup>3</sup> HR&A Advisors.

<sup>4</sup> HR&A Advisors assumption of structural apartment vacancy at stabilization.

<sup>5</sup> IMPLAN.

Sources: Caruso; IMPLAN; HR&A Advisors, Inc.

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**Appendix A, Table 5**  
**Proposed Mixed-Use Project**  
**Economic Impact Inputs**

**Annual Operations (cont'd)**

**Affordable Apartments (Moderate Income)**

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Total Apartments <sup>1</sup>	6
Average Monthly Rent - psf <sup>2</sup>	\$0.99
Average sf	1,326
Average Yearly Rent	\$15,784
Annual Utility Cost <sup>3</sup>	\$1,122
Total Annual Housing Cost	\$16,906
Housing Cost/Household Income	35%
Total Project Gross Hhld. Income	\$289,824
<b>Total From Occupied Units (95% Occupied)<sup>4</sup></b>	<b>\$275,333</b>
IMPLAN Sector # <sup>5</sup>	10005

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<sup>1</sup> Caruso.

<sup>2</sup> HR&A Advisors based on City of Los Angeles Housing and Community Investment Department 2016 Affordable Housing Income and Rent Limits.

<sup>3</sup> HR&A Advisors.

<sup>4</sup> HR&A Advisors assumption of structural apartment vacancy at stabilization.

<sup>5</sup> IMPLAN.

Sources: Caruso; IMPLAN; HR&A Advisors, Inc.

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**Appendix A, Table 6**

**Existing Site**

**Economic Impact Inputs**

**Annual Operations**

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<b>Existing Site Retail</b>	<b>Gross Square</b>		<b>Total Sales or Jobs (2016\$)</b>	<b>IMPLAN</b>		<b>Margin?<sup>3</sup></b>
	<b>Feet<sup>1</sup></b>	<b>Sales Per SF<sup>2</sup></b>		<b>Sector #</b>	<b>IMPLAN Sector Name</b>	
Department Store	47,676	\$130	\$6,197,880	405	Retail - General merchandise stores	yes
<b>Subtotal - Retail</b>	<b>47,676</b>		<b>\$6,197,880</b>			

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<sup>1</sup> Caruso.

<sup>2</sup> Department store sales PSF based on Retail Maxim 2015 for moderate price department stores.

<sup>3</sup> IMPLAN distinguishes between industries such as retail where purchases include margins and are in consumer prices rather than producer prices.

Sources: Caruso; IMPLAN; HR&A Advisors, Inc.

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